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YORK LAMBTON
CORPORATION LIMITED

ANNUAL REPORT

1967

YORK LAMBTON CORPORATION LIMITED

P.O. BOX 280, ADELAIDE STREET POSTAL STATION, TORONTO 1, ONTARIO

TELEPHONE 362-4517


June 10th, 1968

To the Shareholders.

We enclose Financial Statements for the year ended December 31st, 1967.

These statements are not accompanied by the usual Notice of Annual Meeting of Shareholders for the reason that the date of such meeting has not been fixed. Due to legal problems in which your Company is involved, the holding of the Annual Meeting may be delayed.

Maurice R. Jennings,
Secretary-Treasurer.



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Report to The Shareholders

The year 1967 has been a difficult one for your Company in that it saw a continuation and accentuation of the financial pressures on York Trust and Savings Corporation and the development of an involved situation vis-a-vis the Bank of Western Canada culminating in a decision to wind-up the Bank.

This all happened within an overall financial climate of continuing tight money and rising interest rates which contributed to limit the courses of action open to your Directors and, at the same time, made certain painful decisions imperative. These matters will be dealt with in greater detail in succeeding paragraphs.

In March of the year, British International Finance (Canada) Limited entered into an agreement with Mr. Marc Masson Bienvenu of Montreal whereby the latter acquired a major interest in British International Finance (Canada) Limited, which interest was subsequently transferred to Bienvenu International Corporation — also of Montreal. This important change came about at a time when funds were urgently required to make the final payment on Canadian Finance & Investments Limited's subscription to the Bank of Western Canada; to acquire York Trust and Savings Corporation's holdings in the Bank; and to refinance the over-invested position of York Trust and Savings Corporation. Mr. Bienvenu was able to arrange for a short term loan of \$3,000,000 from La Corporation Fonciere de Montreal (Cofomo) who purchased a debenture issued by your Company pursuant to a Deed of Trust and Mortgage made as of March 16th, 1967. The security for this debenture is 433,000 shares of the Bank of Western Canada.

These funds were used to the extent of \$1,469,156 to complete the C.F. & I. subscription and \$495,000 to purchase York Trust's holdings in the Bank. The balance of approximately \$1,000,000 was deposited in trust as a guarantee of the performance of certain undertakings by Mr. Bienvenu. Subsequently, when the guarantee was no longer required, \$400,000 was repaid to Cofomo. The balance of \$600,000 was expended on several transactions of a nature beneficial to York Trust. At the time, it was the hope of your Directors that the Bank of Western Canada could be activated and begin to do business. Subsequently, however, it became apparent that there were a number of conflicting views as to the Bank's role in the financial community, and in this atmosphere of uncertainty, the long term financing of your Company's holding in the Bank did not appear practical. Your Directors therefore joined reluctantly in a move to wind-up the Bank, a process which is now under way.

There is however a possibility that the liquidation of the Bank will not be complete and that it can be re-activated on a smaller scale but with good prospects of growth. Your Company is assisting in plans to bring this about and, if successful, it is the present intention of your Directors to retain an interest in the Bank.

The other major event in the year concerned York Trust and Savings Corporation. As was mentioned in the report for last year, your Company advanced \$850,000 to York Trust and Savings Corporation as additional capital which was converted into additional shares in York Trust. However, losses of deposits in February and March necessitated an increase in funds borrowed from Central Mortgage and Housing Association on the security of N.H.A. mort-

gages, and the subsequent inability to make arrangements to repay these borrowings, or to refinance them on longer terms not only nullified certain provisions included in the Bienvenu agreement, referred to above, for permanent financing, but also led the Ontario Deposit Insurance Corporation and the Canada Deposit Insurance Corporation to require the investment of further capital and a permanent solution to the York Trust problem.

Your Company was not in a position to provide sufficient additional capital nor would this necessarily have been a wise course unless at the same time steps could have been taken to reduce the over-invested position in which York Trust found itself, and thus enable it to operate profitably. However, in order to obtain time for a proper solution to be reached your Company did provide certain funds to cover monthly operating losses, until in November the Ontario Deposit Insurance Corporation notified York Trust that it was not in a satisfactory financial condition and the Canada Deposit Insurance Corporation placed York Trust on notice to immediately revise its operations and to terminate losses. Fortunately by that time discussions about a possible sale had been taking place; an offer was received from The Metropolitan Trust Company for York Lambton's interest in York Trust and was accepted as being in the best interest of both York Lambton and York Trust. The transaction received all appropriate official approval and placed York Trust in a position where, in association with another Trust Company with complementary facilities and good financial backing, it can hope for an eventual satisfactory operation. The price received of 70¢ per share or \$288,350 represents a major loss for your Company, as is reflected in the statements, but in all the circumstances it was apparent that the only alternative would have been a total loss of your Company's investment in York Trust and acceptance of a situation in which the Trust Company could not survive.

The other major investment of your Company, The Lambton Loan and Investment Company, has had a most successful year of operation. You will note that York Lambton's share of the profits of this Company has declined as compared with 1966, but it should be pointed out that net profit of Lambton Loan after depreciation and taxes was \$221,191 in 1967 as compared with \$164,197 in 1966. The explanation for this apparent anomaly is that in 1967 the Directors of Lambton Loan made the wise decision to transfer \$75,000 to investment reserve, thus reducing the profit available for distribution. In other aspects of their operation, for example an increase in total assets of almost \$4,000,000 to \$35,283,219, an increase in operating revenue of over \$360,000 combined with an increase in expenses of only \$245,000, Lambton Loan showed the results of careful and competent management, and its Directors and staff are to be congratulated on their 1967 performance in difficult and trying circumstances.

On November 6th, 1967 your Company was informed by the Toronto Stock Exchange that trading in shares of the Company and its parent, British International Finance (Canada) Limited, had been suspended pending publication of satisfactory and complete information as to the current financial situation and clarification of status of management of the two Companies. Your Directors are of the opinion that application for the lifting of this suspension should await the outcome of the legal problems referred to below.

It is not easy to assess the performance of your Company in what has been a year filled with special problems. However, if the special charges shown in 1967 could have been eliminated, together with the high cost of servicing the Cofomo Debenture, and the loan from a subsidiary company repaid, the expenses of operation could be reduced to approximately \$225,000 and, if the balance of funds in the Company's hands were invested even at a modest return, your Company would then be in a position to show a small operating profit.

However, there have been considerable delays in the necessary legal processes involved in the liquidation of the Bank of Western Canada with the consequence that your Company has not received the funds with which it would propose to repay the Cofomo Debenture and some of its other indebtedness and thus significantly reduce its cost of debt service. Furthermore, the expenses involved in the litigation with which the Company is beset imposes a severe strain on the Company's cash resources and increases its operating loss substantially.

The legal delays were accentuated by an action brought against the Company on February 23rd, 1968, by a purchaser of Trustee's Subscription Certificates issued by the Company (then The Wellington Financial Corporation Limited) in February, 1964, as described in a prospectus dated February 11th, 1964. The claim in the action was to the effect that as the Bank of Western Canada did not open its doors for business, the money paid by the purchasers of Trustee's Subscription Certificates should be refunded to them and this matter was referred to the Supreme Court of Ontario for determination in connection with the distribution of a fund of \$3,679,000 respecting 283,000 shares of the Bank of Western Canada. On June 6th, 1968, a judgment of the court was delivered declaring that there was a resulting trust in favour of the holders of the Trustee's Subscription Certificates and of Class "B" shares of the Company issued on surrender of Trustee's Subscription Certificates. However, the Company intends to appeal the judgment which, if upheld, would entail the payment of a substantial amount to a special group of shareholders.

Following delivery of this judgment, the Company's auditors felt it desirable to issue a revised report on the financial statements and this report is now appended to the statements following the original report of January 25th, 1968.

There is, at the moment, no indication of an early settlement of these legal problems and this in itself is a cause of grave concern to your Directors, because there is a limit to the Company's ability to go on paying out legal and related expenses.

Your Directors will endeavour to find solutions to these problems, but there is no question that the next few months will be extremely critical for the survival of your Company. It is not therefore possible to say much about future prospects at the present time, but if and when the situation improves and constructive plans become feasible, your Directors will communicate these plans to shareholders without delay.

Early in November, the Company lost the services of its President, Mr. R. M. Thomas, who has taken up a position in the United States, and Mr. B. A. Chalmers joined the Company as Vice-President and Acting General Manager. The Company is now operating with a total staff of four.

On behalf of the Board of Directors

B. A. CHALMERS,
Vice-President and Acting
General Manager.

Toronto, Ontario.
June 6, 1968.

YORK LAMBTON CORPORATION LIMITED

ASSETS

	1967	1966
CURRENT ASSETS	\$	\$
Cash	120,027	31,738
Accounts receivable—		
Subsidiary companies	22,223	119,279
Affiliated companies	10,481	3,084
Other	36,270	168,617
Marketable investments — at cost	—	70,862
Shares of Bank of Western Canada —		
at estimated realizable value (note 1)	6,170,250	250,000
	<u>6,359,251</u>	<u>643,580</u>

INVESTMENTS

Funds held by trustees for secured notes and debentures (note 5)	323,739	—
Advances —		
Parent company	342,022	202,650
Affiliated companies	10,783	145,684
Other (including subordinated loan in 1967 of \$111,260 — note 9)	125,202	850,000
Investment in shares —		
Partly-owned subsidiary companies — at cost, adjusted for profits and losses since acquisition (notes 2, 4 and 5)	2,103,101	5,975,065
Affiliated companies — at cost, less amounts written off (notes 4 and 12)	115,092	747,393
Real estate mortgages and properties — at amortized cost, less reserve (note 5)	1,030,612	1,769,106
	<u>4,050,551</u>	<u>9,689,898</u>

SUBSCRIPTION TRUST FUND (notes 1 and 3)

—	<u>3,750,000</u>
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OTHER ASSETS AND DEFERRED CHARGES

Fixed assets — at cost, less accumulated depreciation	7,208	5,136
Financing and other deferred charges — at cost, less amortization of \$126,854	385,766	447,369
Excess of cost of investment in consolidated subsidiaries over book value at dates of acquisition	—	25,658
	<u>392,974</u>	<u>478,163</u>
	<u>10,802,776</u>	<u>14,561,641</u>

Signed On Behalf Of The Board:

B. A. CHALMERS
Director

M. R. JENNINGS,
Director

Balance Sheet

as at December 31, 1967.

LIABILITIES

	1967	1966
	\$	\$
CURRENT LIABILITIES		
Bank loan	—	149,900
Accounts payable and accrued charges	197,795	166,286
Current portion of long-term debt, less amount redeemed	77,000	73,000
9% secured debenture, payable on demand (note 1)	2,600,000	—
Loans payable —		
Subsidiary company	—	75,800
Affiliated companies (secured) (note 4)	1,123,850	1,148,696
Other	101,625	400,000
Deferred income	12,277	71,062
	<u>4,112,547</u>	<u>2,084,744</u>
LONG-TERM DEBT (note 5)		
6 ¹ / ₄ % secured notes series one due June 1, 1978	659,000	730,000
6 ¹ / ₂ % secured sinking fund debentures series A due July 31, 1971, less sinking fund instalment of \$77,000 due July 15, 1968	399,000	476,500
	<u>1,058,000</u>	<u>1,206,500</u>
	<u>5,170,547</u>	<u>3,291,244</u>
SHAREHOLDERS' EQUITY		
SUBSCRIBERS DEPOSITS (note 3)	—	3,750,000
NOTE PAYABLE TO A SHAREHOLDER (note 6)	—	1,000,831
CAPITAL STOCK (notes 7 and 8)		
Authorized —		
2,500,000 36¢ non-cumulative participating class A shares without nominal or par value		
5,000,000 class B shares without nominal or par value		
Issued and fully paid —		
232,436 class A shares	1,827,052	1,827,052
2,005,146 class B shares	10,645,644	5,294,813
	<u>12,472,696</u>	<u>11,872,696</u>
DEFICIT	<u>(6,840,467)</u>	<u>(602,299)</u>
	<u>5,632,229</u>	<u>11,270,397</u>
	<u>10,802,776</u>	<u>14,561,641</u>

YORK LAMBTON CORPORATION LIMITED

Auditors' Report to The Shareholders

We have examined the consolidated balance sheet of York Lambton Corporation Limited and its subsidiaries as at December 31, 1967 and the consolidated statements of income and deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting for subsidiaries referred to in note 2, with which we concur.

Toronto, January 25, 1968.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Amended Report of Auditors to The Shareholders

Dated June 11th, 1968

We have examined the consolidated balance sheet of York Lambton Corporation Limited and its subsidiaries as at December 31, 1967 and the consolidated statements of income and deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The company has been involved in litigation concerning \$3,750,000 of subscribers' deposits referred to in note 3. On June 6, 1968 the Supreme Court of Ontario issued a ruling, the effect of which is to require the company to return the deposits to the subscribers. It is the company's intention to appeal the decision.

The shares of the Bank of Western Canada are shown in the balance sheet as a current asset. Because of the present uncertainty as to when these shares will be converted to cash, they should not now be shown as a current asset.

Because of the material effect which these matters might have on the companies' financial position, we are unable to express an opinion as to the fairness with which the accompanying consolidated financial statements, taken as a whole, present the financial position and source and use of funds.

In all other material respects, in our opinion these consolidated financial statements present fairly the assets (except for the shares of the Bank of Western Canada) and liabilities (except for subscribers' deposits) of the companies as at December 31, 1967, and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting for subsidiaries referred to in note 2, with which we concur.

June 11, 1968.

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

YORK LAMBTON CORPORATION LIMITED

Consolidated Statement of Income and Deficit

for the year ended December 31, 1967

	1967 \$	1966 \$
INCOME		
Interest	178,482	377,238
Fees, commissions and other	8,566	100,611
	<u>187,048</u>	<u>477,849</u>
EXPENSES		
Interest including \$76,516 on long-term debt	388,585	306,006
Administrative and general, including depreciation of \$1,515 and loss on sale of investments of \$28,365	399,990	257,471
Amortization of financing, mortgage procurement and other deferred charges	66,605	31,128
Recovery of prior year's income taxes	(2,285)	(92,034)
	<u>852,895</u>	<u>502,571</u>
OPERATING LOSS FOR THE YEAR	<u>665,847</u>	<u>24,722</u>
SPECIAL CHARGES		
Share of losses less profits of non-consolidated subsidiary companies (note 2)	561,579	782,716
Loss on sale of investment in York Trust and Savings Corporation (note 2)	4,367,297	—
Estimated loss on wind-up of Bank of Western Canada (note 1)	342,250	—
Provision for non-recoverable investments	275,537	—
Excess of cost of investment in subsidiary companies over book value written off	25,658	—
	<u>5,572,321</u>	<u>782,716</u>
LOSS FOR THE YEAR AFTER SPECIAL CHARGES	<u>6,238,168</u>	<u>807,438</u>
DEFICIT (RETAINED EARNINGS) — BEGINNING OF YEAR	<u>602,299</u>	<u>(440,320)</u>
	<u>6,840,467</u>	<u>367,118</u>
Dividends on class A shares	—	83,173
Expenses of a subsidiary applicable to prior year, less minority interest	—	152,008
DEFICIT — END OF YEAR	<u><u>6,840,467</u></u>	<u><u>602,299</u></u>

YORK LAMBTON CORPORATION LIMITED

*Consolidated Statement of Source
and Use of Funds*

for the year ended December 31, 1967

	1967	1966
	\$	\$
SOURCE OF FUNDS		
Issue of capital stock (note 7)	5,350,831	39,970
Net proceeds on sale of subsidiary (note 2)	297,100	—
Repayments on mortgages (net)	728,696	430,427
Subscription Trust Fund (note 3)	3,750,000	—
Sale and exchange of investment in affiliates and subsidiaries	343,842	2,012,259
Increase in long-term debt	—	476,500
Issue of note payable to a shareholder (note 6)	—	1,000,831
Dividends from a non-consolidated subsidiary	73,483	65,152
	<u>10,543,952</u>	<u>4,025,139</u>
USE OF FUNDS		
Operations —		
Loss for year after special charges	6,238,168	807,438
Adjustments for non-cash items —		
Losses of subsidiaries (note 2)	(561,579)	(782,716)
Loss on sale of subsidiary (note 2)	(4,367,297)	—
Amortization of financing, procurement and other deferred charges	(66,605)	(31,128)
Provision for non-recoverable investments	(275,537)	—
Depreciation	(1,515)	(1,284)
Loss on disposal of investments	(28,365)	—
Other	(25,658)	—
	<u>911,612</u>	<u>(7,690)</u>
Funds held by trustees as security for long- term debt	323,739	—
Settlement of note payable to a shareholder by issue of capital stock (note 6)	1,000,831	—
Dividends	—	83,173
Purchase and exchange of investments in affiliates and subsidiaries	583,140	2,283,240
Repayment of long-term debt	148,500	40,000
Purchase of fixed assets	3,587	—
Advances to other companies	129,673	199,834
Increase in financing and other deferred charges	5,002	56,945
Conversion of subscribers' deposits to capital stock (note 3)	3,750,000	—
	<u>6,856,084</u>	<u>2,655,502</u>
INCREASE IN WORKING CAPITAL	<u>3,687,868</u>	<u>1,369,637</u>
WORKING CAPITAL DEFICIT — BEGINNING OF YEAR	<u>1,441,164</u>	<u>2,810,801</u>
WORKING CAPITAL SURPLUS (DEFICIT) — END OF YEAR	<u>2,246,704</u>	<u>(1,441,164)</u>

YORK LAMBTON CORPORATION LIMITED

Notes to Consolidated Financial Statements

for the year ended December 31, 1967

1 / SHARES OF BANK OF WESTERN CANADA

The company owns 433,000 shares of the Bank of Western Canada. These have been valued at \$14.25 per share, the amount estimated to be received in 1968 upon winding up. 150,000 of the shares are the subject of an action described in note 6 below.

All of the shares have been pledged as security against the 9% secured debenture, payable on demand.

2 / INVESTMENT IN SHARES OF PARTLY-OWNED SUBSIDIARY COMPANIES

Details of investment in partly-owned subsidiary companies are as follows:

	Percentage owned as at		Share of (losses) profits for years ended		Cost adjusted for share of profits and losses and dividends received since date of acquisition as at December 31	
	1967	1966	1967	1966	1967	1966
	%	%	\$	\$	\$	\$
The Lambton Loan and Investment Company	54.7	54.7	81,886	85,411	2,103,101	2,094,698
York Trust and Savings Corporation	Nil	53.1	(*643,465)	(868,127)	—	3,880,367
			<u>(561,579)</u>	<u>(782,716)</u>	<u>2,103,101</u>	<u>5,975,065</u>

*Loss for 1967 applies to period ended November 24, 1967, the date on which the investment was sold.

Pursuant to an agreement dated November 24, 1967, the company sold 411,929 shares of York Trust and Savings Corporation for \$288,350 at the price of 70¢ per share. On the same date, the investment in a remaining 12,500 shares was sold to an affiliated company at 70¢ per share for \$8,750. The loss on these sales of \$4,367,297 is recorded as a special charge on the statement of income and deficit.

During the year the company purchased from a director and officer M. M. Bienvenu, 12,500 shares of York Trust at \$13.50 per share for \$168,750. The directors of the company have obtained the opinion of legal counsel that the purchase transaction was not valid and have requested M. M. Bienvenu to reverse the transaction.

The assets and liabilities and results of operations of wholly-owned subsidiaries have been consolidated with those of the parent company.

In 1967, the company adopted the practice of valuing investments in shares of partly-owned subsidiary trust companies at cost adjusted for profits and losses since date of acquisition, rather than consolidating their accounts, because the nature of their business differs substantially from that of the parent company. The accompanying financial statements for the year ended December 31, 1967 and the comparative figures for 1966 have been presented in accordance with the new practice. This change has no effect on the results of operations.

The aggregate amount of the parent company's proportion of the loss less profit of non-consolidated subsidiary companies applicable to the year ended December 31, 1967 was \$561,579 (1966 — \$782,716). These amounts have been included as a charge against income in the statement of income and deficit. The cost of the investment in shares of partly-owned subsidiaries has been adjusted for the parent company's proportion of profits and losses and dividends received since date of acquisition.

3 / SUBSCRIBERS' DEPOSITS

Subscribers' deposits represent cash received in full payment of subscriptions for 625,000 class B shares of the company to be issued at \$6 and held in trust until invested in shares of the Bank of Western Canada, pursuant to the trust agreement dated February 10, 1964, as amended. On January 3, 1967, the company invested \$3,750,000 in the Bank of Western Canada and the following were issued to subscribers:

- (a) 625,000 class B shares at \$6 per share.
- (b) 625,000 warrants for the purchase of 625,000 additional class B shares at prices ranging from \$6 to \$10 per share during various periods terminating on or before August 31, 1976.

4 / SECURITY GIVEN FOR LOAN

The demand loan payable to an affiliate at December 31, 1967 of \$1,123,850 is secured by shares of a non-consolidated subsidiary and an affiliated company and currently bears interest at 9%.

5 / SECURITY FOR LONG-TERM DEBT

Cash of \$323,739, mortgages of a consolidated subsidiary and shares of a partly-owned subsidiary have been pledged as security for the 6¼ % secured notes and the 6½ % sinking fund debentures.

6 / NOTE PAYABLE TO A SHAREHOLDER

During 1966, as part of a re-organization of the B.I.F. Group, the company acquired certain assets, including a payment of \$250,000 towards a subscription made by Canadian Finance & Investments Ltd. for 150,000 shares of the Bank of Western Canada, and assumed certain liabilities from British International Finance (Canada) Limited for a net consideration consisting of a note payable of \$1,000,831, which was satisfied by the issue of 237,163 class B shares in January 1967.

An action has been brought in the name of Canadian Finance & Investments Ltd. in the Province of Manitoba for certain relief respecting the shares of the Bank of Western Canada. It has been ordered that certain matters raised will be determined by the Court. British International Finance (Canada) Limited and York Lambton Corporation Limited are among the defendants. It is not known at present what effect, if any, the action may have on the financial position of this company.

7 / CAPITAL STOCK

Changes in issued capital stock during the year were as follows:

	December 31, 1967		December 31, 1966	
	Shares	Amount \$	Shares	Amount \$
Class A				
Balance — Beginning of year	232,436	1,827,052	228,684	1,800,788
Issued in exchange for shares of International Savings and Mortgage Corporation	—	—	3,752	26,264
Balance — End of year	<u>232,436</u>	<u>1,827,052</u>	<u>232,436</u>	<u>1,827,052</u>

7 / CAPITAL STOCK (Continued)

Changes in issued capital stock during the year were as follows:

	December 31, 1967		December 31, 1966	
	Shares	Amount \$	Shares	Amount \$
Class B				
Balance — Beginning of year	1,042,983	5,294,813	1,040,407	5,281,107
Per note 6 above	237,163	1,000,831	—	—
Per note 3 above	625,000	3,750,000	—	—
Issued to British International Finance (Canada) Limited pursuant to a subscription agreement dated February 7, 1964	100,000	600,000	—	—
Issued in exchange for shares of International Savings and Mortgage Corporation	—	—	1,876	11,256
Issued pursuant to employees' stock option plan	—	—	700	2,450
Balance — End of year	<u>2,005,146</u>	<u>10,645,644</u>	<u>1,042,983</u>	<u>5,294,813</u>

8 / RESERVATIONS OF CAPITAL STOCK

Class B shares are reserved for issuance as follows:

- (a) 625,000 shares to the holders of warrants referred to in note 3.
- (b) 575 shares pursuant to an employees' stock option plan, under which options to purchase that aggregate number of shares at prices ranging from \$4 to \$4.50 per share during periods terminating in 1969 were outstanding at December 31, 1967.
- (c) 16,440 shares to the holders of warrants for the purchase of class B shares at \$6 per share on or before July 31, 1973 attaching to the 6½% secured sinking fund debentures series A.

9 / CONTINGENT LIABILITIES

Prior to the date of sale of its subsidiary, York Trust and Savings Corporation, the company was committed to make subordinated loans to York Trust and Savings Corporation not in excess of \$200,000. A total of \$111,260 has been so loaned, and a further \$85,163 requested, but not paid. Under the terms of the sale agreement, all debts outstanding between the two companies are to be offset and any balance remaining forgiven, subject to the consent of the Canada Deposit Insurance Corporation. This consent has not yet been received.

The company gave certain warranties and indemnification rights to the purchaser under the sale agreement. It is not expected that any adjustment to the sale price will be required as a result thereof.

10 / COMMITMENTS

- (a) Under the terms of the agreement for the sale of York Trust and Savings Corporation, the purchaser has undertaken to permit the company to purchase the shares of Fort Garry Trust Company, a subsidiary of York Trust and Savings Corporation, for \$700,000, the estimated realizable value of its net assets, within a six month period after November 24, 1967. It has the right to require the company to purchase the shares of Fort Garry Trust Company shortly after the expiry of the six month period.
- (b) On March 16, 1967 M. M. Bienvenu, York Lambton Corporation Limited and British International Finance (Canada) Limited entered into an agreement pursuant to which M. M. Bienvenu caused La Corporation Fonciere de Montreal to purchase from York Lambton Corporation Limited a secured debenture in the principal amount of \$3,000,000 bearing interest at the rate of 9% per annum and maturing on September 16, 1967 and secured by a pledge of 433,000 outstanding shares in the capital stock of Bank of Western Canada. The principal amount of the debenture was reduced to \$2,600,000 by a payment made on June 28, 1967.

10 / COMMITMENTS (Continued)

By the said agreement British International Finance (Canada) Limited granted to M. M. Bienvenu an irrevocable option to purchase 46,925 common shares and 600,000 class A shares of the company at a price of \$5 per share exercisable in whole or in part at any time up to and including September 16, 1967.

York Lambton Corporation Limited by the said agreement granted to British International Finance (Canada) Limited an irrevocable option to purchase 981,666 class B shares in the capital of York Lambton Corporation Limited at a price of \$3 per share exercisable at any time up to and including September 16, 1967.

M. M. Bienvenu agreed to exercise his option on the above said shares of British International Finance (Canada) Limited upon fulfillment of certain conditions as specified in the agreement.

M. M. Bienvenu has assigned his interest in the agreement to Bienvenu International Corporation. Bienvenu International Corporation has advised the company that it did not exercise the said option because the said conditions could not be and were not fulfilled.

Certain shareholders of British International Finance (Canada) Limited, P. A. Charlebois, W. S. Hawkins, W. J. Mollard and A. M. Wofford, have commenced an action to force performance of the agreement by M. M. Bienvenu and others, and British International Finance (Canada) Limited and its subsidiary, York Lambton Corporation Limited, are parties to that action. In the alternative, the plaintiffs ask for the winding up of British International Finance (Canada) Limited and York Lambton Corporation Limited by an order of The Supreme Court of Ontario.

11 / REMUNERATION OF DIRECTORS

No fees were paid to directors of York Lambton Corporation Limited as such.

The aggregate direct remuneration paid or payable to the directors of York Lambton Corporation Limited as officers or employees is as follows:

	1967	1966
	\$	\$
Paid or payable by the company and consolidated subsidiaries	33,054	14,754
Paid or payable by subsidiaries whose financial statements are not consolidated with those of the company	33,957	—

12 / INVESTMENT IN SHARES OF AFFILIATED COMPANIES

These consist of:

	Cost less amounts written off	
	1967	1966
	\$	\$
Canadian First Mortgage Corporation Ltd.	89,472	310,009
The Presidents' Fund Limited	25,000	80,000
Alberta Fidelity Trust Company	—	357,384
Other	620	—
	<u>115,092</u>	<u>747,393</u>

File



YORK LAMBTON CORPORATION LIMITED

INTERIM OPERATING STATEMENTS

June 30, 1967

HEAD OFFICE

48 Yonge Street, Toronto, Ontario

YORK LAMBTON CORPORATION LIMITED
and Subsidiaries
STATEMENT OF SOURCE AND USE OF FUNDS
for the six months ended June 30, 1967

	\$
SOURCE OF FUNDS	
Proceeds of issue of short-term debentures	3,000,000
Sale of shares of associated companies	1,111,781
Issue of capital stock	600,000
Repayment of advances by affiliated companies	<u>122,660</u>
	<u>4,834,441</u>
USE OF FUNDS	
Operations	
Loss for the period	525,227
Adjustments for non-cash items:	
Depreciation and amortization of fixed assets	(97,261)
Amortization of financing expenses and deferred charges	<u>(39,541)</u>
Total funds for operations	388,425
Investment in Bank of Western Canada	6,495,000
Acquisition of minority interest in subsidiary companies	379,845
Financing and other deferred charges	79,466
Purchase of fixed assets (net)	47,124
Cost of investment in subsidiaries over book value at dates of acquisition	55,857
Repayment of long-term debt	40,500
Miscellaneous	<u>48,102</u>
	<u>7,534,319</u>
DECREASE IN WORKING CAPITAL	2,699,878
WORKING CAPITAL - BEGINNING OF PERIOD	<u>9,692,683</u>
WORKING CAPITAL - END OF PERIOD	<u><u>6,992,805</u></u>

NOTE: Comparative figures for 1966 are not available

YORK LAMBTON CORPORATION LIMITED
and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
for the six months ended June 30, 1967

	\$	\$
INCOME		
Interest	3,723,826	
Dividends and other	<u>190,673</u>	<u>3,914,499</u>
EXPENSES		
Interest and amortization (including \$40,024 on long-term debt)	2,818,809	
Administrative and general (including depreciation and amortization of \$97,261)	<u>1,520,154</u>	
Amortization of financing expenses and deferred charges	<u>39,541</u>	<u>4,378,504</u>
OPERATING LOSS FOR THE PERIOD		464,005
Loss on sale of investments	204,885 +	
Provision for income taxes	<u>45,341</u> -	<u>250,226</u>
		714,231 -
Minority interest		<u>189,004</u> -
LOSS FOR THE PERIOD		525,227
		<u><u> </u></u>

NOTE: Comparative figures for 1966 are not available